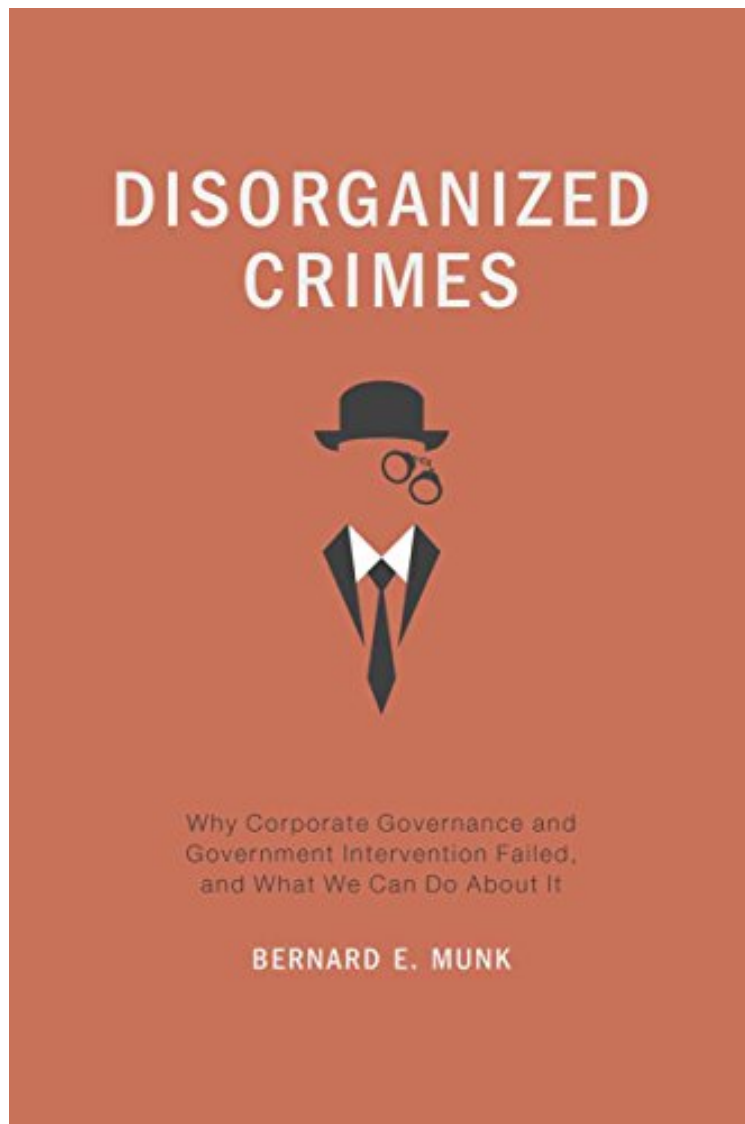


(Get free) Disorganized Crimes: Why Corporate Governance and Government Intervention Failed, and What We Can Do About It

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Bernard E. Munk

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Bernard E. Munk : Disorganized Crimes: Why Corporate Governance and Government Intervention Failed, and What We Can Do About It before purchasing it in order to gage whether or not it would be worth my time, and all praised Disorganized Crimes: Why Corporate Governance and Government Intervention Failed, and What We Can Do About It:

0 of 0 people found the following review helpful. Diagnosing a broken systemBy William H. OverholtMunk shows

that the tragedies of the Enron era and the great financial crisis of 2008 have a common genesis in a broken system--a nest of perverse incentives. Boards of directors are supposed to supervise management, but they are appointed by management and want to keep their jobs, so they don't supervise diligently. Executives are supposed to manage in the long-term interests of their companies, but they can make huge personal incomes by taking risks that jeopardize the long-term survival of their firms. Regulators are supposed to regulate in the public interest, but they become captured by the industries they regulate. Rating agencies are supposed to provide objective evaluations of risk, but to retain their customers they need to assign good ratings. Politicians are supposed to represent the interests of the public at large, but to get elected they need to fund their campaigns with donations from big companies. Many economists call this a market failure. Munk prefers to call it a governance failure. It's both. Munk diagnoses the problem brilliantly but has few suggestions for fixing a broken system. He is a conservative Republican, but his diagnosis of the deep structural problems of contemporary capitalism could as easily come from the pen of a critic on the left. What is frightening is that our national and international responses to the great crises of the last two decades have done only a little to resolve the conflicts of interest that are built into our economy and politics. One comes away from Munk's book with a premonition that we are still waiting for The Big One.

Disorganized Crimes is not an easy read, but it repays the effort. Every Member of Congress, regulator and board member should be required to master Munk's lessons.

0 of 0 people found the following review helpful. How to Fix what is Fundamentally Wrong with Corporate Culture Worldwide

By Marcher

Organized crime is a systematic, directed enterprise to break the law. Disorganized crimes arise when incentives are so perverse and legal structures are so misaligned that damage far greater than that from organized crime arises without any concerted effort. Disorganized crimes defraud shareholders and ultimately threaten the foundation of our capitalist structure.

Bernie Munk starts with the corporate frauds of Enron and Worldcom, noting that option based compensation created powerful incentives to manage earnings and ultimately enter into massive accounting fraud. This was aided and abetted by an uninformed and compliant board of directors. Munk notes, "Too often, however, directors are celebrants, not investigators, cheerleaders as opposed to watchdogs."

Before the ink was dry on comments about these scandals, the financial crisis began in 2007. Far from being a random macroeconomic shock, Munk argues persuasively that it was a logical extension of the same type of behavior that produced Enron. Excesses, warped incentives and bad governance was everywhere in the financial services industry, and given that the problems affected the largest banks in the world, the ultimate impact threatened the entire system.

The book is compelling throughout, but Chapter 6 is worth the price of admission on its own. In it the basic agency problem that conflicts management is discussed, and why option based compensation isn't the solution many hoped it would be. To many readers the idea of risk adjusted earnings will be a revelation, but it lies at the heart of why the system is currently broken.

Readers looking for another moralistic tome bemoaning the evils of a greedy society should look elsewhere. Munk brings a seasoned economist's discipline to dissect bad incentives and recommend change. Chapter 14 provides a healthy agenda of what could be done to address these business and governance issues. None of these changes will be easy as they challenge decades of corporate practice and legal structures, but if our capitalist society has a chance of solving its problems itself rather than wait for some ineffectual government meddling this is an agenda that should be embraced.

0 of 0 people found the following review helpful. A Lucid Explanation

By Fjl618

If the reader is looking for a cure to fix our broken system, it will not be found in this book. Unfortunately, it won't be found anywhere else either. However, what this book does do, and does eminently well, is provide a lucid and readable articulation of the reasons underlying the opacity confronting the average investor. Everyone, the regulators, lawmakers and corporate directors, means well. However, all attempts, notably Dodd-Frank and numerous regulations governing the central banks, are insufficient to nullify the monetary incentives dangled in front of those willing to turn a blind eye and "play the game". This book does not provide a cure for our broken credit markets but it does provide a warning which the investor should well heed.

Corporate misgovernance and the failure of government regulation have led to major financial fiascos. 'Disorganized crimes' are disruptive and costly. Munk links the two major eras of corporate misgovernance during the last decade to explain how these events occur and what can be done to prevent them from re-occurring.

'Dr Munk's book covers governance issues from a truly economic perspective. As a result of the financial crisis, many have discarded economics to find guiding principles to frame regulation of corporations and financial entities. I learned and thought about many issues as a result of reading this impressive book that highlight and illustrate how these principles, including the responsibilities of boards of directors and corporate officials, interact and how incentives and penalties impact the relations among the various stakeholders of the firm.' - Myron S. Scholes, Frank E. Buck Professor of Finance, Emeritus, Stanford University Graduate School of Business, Stanford University, USA

'Bernie Munk concludes that the most important failure of American capitalism is that corporate boards have defaulted on their responsibility to protect the shareholders from the excessive risk taking by management. Hundreds of managements have 'cooked the books' by the seemingly innocuous practice of smoothing quarterly earnings. Some boards including Enron's were corrupted by the top managers, hundreds have been co-opted. Munk provides a long list

of policy remedies to shift the primary allegiance of boards to the shareholders. One start would be to establish a new institution that would score the success of boards of the largest 100 and then the largest 500 public firms in representing shareholder interests. A powerful and timely read.' - Robert Z. Aliber, Professor of International Finance and Economics Emeritus, Booth School of Business, University of Chicago, USA 'Bernard Munk brings one of the most incisive minds in the world of business to the analysis of modern-day corporate governance. He is a master at critiquing the people and process weaknesses in the system and pointing the way to a more constructive higher ground, one in which all stakeholders of a 21st century corporation will benefit. His book should be high on the reading list in global boardrooms and investment firms.' - James Kristie - Editor, Directors Boards 'It is not often in the history of economic thought that a book emerges which is a cross between a Dostoyevskite analysis of crime and punishment and a well-reasoned assault on established doctrine. Dr. Munk has accomplished that feat with this monograph on corporate mis-governance. As a one time graduate student of the University of Chicago he is dismayed that the real world of the corporate boardroom seems to operate often in sinister fashion inconsistent with the benign working of the invisible hands and worse still, the capital markets fail miserably on occasion to exert any discipline. Most of the time these failures are hidden from view but during the asset and credit bubble busts which have become a regular feature in our age of monetary instability there have been a series of spectacular corporate scandals. With great precision, drawing on his own considerable business experience, Dr. Munk shows how these remained for so long undetected and what changes in institutional arrangements are essential to containing this on-going menace to our economic prosperity.' - Brendan Brown, Economist and author of The Global Curse of the Federal Reserve 'A must read to anyone concerned about governance. The book offers insightful, innovative and timely perspective on Governance of great relevance to corporate, national and global organizations.' - Yoram (Jerry) Wind, The Lauder Professor, Professor of Marketing, The Wharton School, University of Pennsylvania, USA

About the Author Bernard Munk
received his PhD and MA in economics and a BA in history at the University of Chicago, USA. He founded several production and trading companies for agricultural and meat products and then migrated to the petroleum industry. By means of a leveraged buyout, he and his partner acquired a large petroleum terminal and a pipeline management company and began a fuel oil distribution company serving east coast utilities in the late 1980s and after selling this company to a NYSE company, in 1992 he became an adjunct Professor of Management at the Wharton School initiating a core curriculum course in Geopolitics. He then formed a financial advisory company providing consulting services to investment banks. He is currently a Senior Fellow at the Foreign Policy Research Institute in Philadelphia where he has written and spoken on economic policy and energy policy. He has published in academic and trade journals and for a number of years maintained a blog at www.ecomentary.com that will resume shortly following publication of this book.